

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name <b>ELKLAND TOWNSHIP</b>	County <b>TUSCOLA</b>
Fiscal Year End <b>3-31-07</b>	Opinion Date <b>5-18-07</b>	Date Audit Report Submitted to State <b>6-19-07</b>	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	<b>n/a</b>	
Certified Public Accountant (Firm Name)	Telephone Number		
<b>ANDERSON, TUCKEY, BERNHART &amp; ADRIAN</b>	<b>989-673-3137</b>		
Street Address	City	State	Zip
<b>715 E. FRANK ST</b>	<b>CARO</b>	<b>MI</b>	<b>48723</b>
Authorizing CPA Signature	Printed Name	License Number	
<b>Gary R. Anderson CPA</b>	<b>GARY R. ANDERSON</b>	<b>1101005446</b>	

**TOWNSHIP OF ELKLAND,  
TUSCOLA COUNTY  
Cass City, Michigan**

Report of Financial Statements  
March 31, 2007

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# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



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May 18, 2007

## REPORT OF INDEPENDENT AUDITOR'S

Township of Elkland  
Tuscola County  
Cass City, MI 48726

We have audited the accompanying financial statements of each major fund and the aggregate remaining fund information of the Township of Elkland as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements required by accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Township of Elkland's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Management has not presented government-wide financial statements to display the financial position and changes in the financial position of its governmental activities. Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. The amounts that would be reported in government-wide financial statements for the Township of Elkland's governmental activities are not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Township of Elkland as of March 31, 2007, or changes in its financial position or cash flows where applicable, for the year then ended.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental financial information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements of Elkland Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.  
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## **GENERAL PURPOSE FINANCIAL STATEMENTS**

# TOWNSHIP OF ELKLAND, TUSCOLA COUNTY

Combined Balance Sheet -  
All Fund Types and Account Group  
March 31, 2007

	<u>GOVERNMENTAL FUND TYPES</u>		<u>NONEXPENDABLE TRUST FUND</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>PERPETUAL CARE FUND</u>
<b><u>ASSETS</u></b>			
Cash	\$ 250,685	\$ 14,741	\$ 44,930
Certificates of deposit	111,112	-	27,700
Receivables:			
Accounts			
Other			1,400
Due from other funds	17,294	225	
Prepaid expenses	3,550	20,594	
Property, Plant & Equipment			
Restricted Assets:			
Cash			
Taxes Receivable	-		
<b>TOTAL ASSETS</b>	<b><u>\$ 382,641</u></b>	<b><u>\$ 35,560</u></b>	<b><u>\$ 74,030</u></b>
<b><u>LIABILITIES &amp; FUND EQUITY</u></b>			
Liabilities:			
Accounts payable		\$ -	
Due to other funds	\$ -		\$ 225
Due to other governmental agencies			
Total	-	-	225
Fund Equity:			
Investment in general fixed assets			
Fund balance	382,641	35,560	73,805
Total Fund Equity	382,641	35,560	73,805
<b>TOTAL LIABILITIES &amp; FUND EQUITY</b>	<b><u>\$ 382,641</u></b>	<b><u>\$ 35,560</u></b>	<b><u>\$ 74,030</u></b>

The accompanying footnotes are an integral part of the financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUP	TOTALS (MEMORANDUM ONLY)	
		PRIMARY GOVERNMENT	
TAX COLLECTION FUND	GENERAL FIXED ASSETS	MARCH 31,	
		2007	2006
		\$ 310,356	\$ 273,593
		138,812	207,751
		-	-
		1,400	1,400
		17,519	16,411
		24,144	23,641
	\$ 894,467	894,467	869,057
\$ 32,736		32,736	23,988
186,407		186,407	186,535
<b>\$ 219,143</b>	<b>\$ 894,467</b>	<b>\$ 1,605,841</b>	<b>\$ 1,602,376</b>
\$ 17,294		\$ -	\$ 10,535
201,849		17,519	16,411
		201,849	194,420
219,143		219,368	221,366
	\$ 894,467	894,467	869,057
		492,006	511,593
-	894,467	1,386,473	1,381,010
<b>\$ 219,143</b>	<b>\$ 894,467</b>	<b>\$ 1,605,841</b>	<b>\$ 1,602,376</b>

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balance - All Governmental**  
**Fund Types for the Year Ended March 31, 2007**

			<b>TOTALS</b> <b>(MEMORANDUM ONLY)</b>	
			<b>MARCH 31,</b>	
	<u>GENERAL</u>	<u>SPECIAL</u> <u>REVENUE</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>				
Taxes	\$ 170,790		\$ 170,790	\$ 165,850
License and permits	1,250		1,250	2,005
Intergovernmental	72,113	\$ 41,101	113,214	113,230
Charges for services		32,748	32,748	45,882
Donations		14,048	14,048	-
Investment income	13,491		13,491	4,688
Other revenues	49	3,078	3,127	11,777
Fire runs		10,891	10,891	22,983
<b>TOTAL REVENUES</b>	<u>257,693</u>	<u>101,866</u>	<u>359,559</u>	<u>366,415</u>
<b>EXPENDITURES:</b>				
Legislative	4,041		4,041	3,962
General government	82,312		82,312	75,692
Public safety	15,636	73,459	89,095	247,100
Public works	75,747		75,747	128,471
Recreation and culture	2,000		2,000	2,000
Cemetery operations		99,477	99,477	76,538
Other	28,757		28,757	24,833
<b>TOTAL EXPENDITURES</b>	<u>208,493</u>	<u>172,936</u>	<u>381,429</u>	<u>558,596</u>
<b>EXCESS OF REVENUES OVER</b>				
<b>(UNDER) EXPENDITURES</b>	<u>49,200</u>	<u>(71,070)</u>	<u>(21,870)</u>	<u>(192,181)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,500	94,045	95,545	280,393
Transfers out	(94,045)	-	(94,045)	(280,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(92,545)</u>	<u>94,045</u>	<u>1,500</u>	<u>393</u>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES</b>				
<b>OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<u>(43,345)</u>	<u>22,975</u>	<u>(20,370)</u>	<u>(191,788)</u>
<b>FUND BALANCE - APRIL 1</b>	<u>425,986</u>	<u>12,585</u>	<u>438,571</u>	<u>630,359</u>
<b>FUND BALANCE - MARCH 31</b>	<u><u>\$ 382,641</u></u>	<u><u>\$ 35,560</u></u>	<u><u>\$ 418,201</u></u>	<u><u>\$ 438,571</u></u>

The accompanying footnotes are an integral part of the financial statements.



**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
 Combined Statement of Revenues, Expenditures  
 and Changes in Fund Balance - Budget and Actual -  
 General and Special Revenue Funds  
 for the Year Ended March 31, 2007

	<b>GENERAL FUND</b>		
	<b>BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE- FAVORABLE (UNFAVORABLE)</b>
<b>REVENUES:</b>			
Taxes	\$ 161,000	\$ 170,790	\$ 9,790
Licenses and permits	2,000	1,250	(750)
Intergovernmental	53,000	72,113	19,113
Charges for services			
Investment income	2,500	13,491	10,991
Donations			
Other revenues	300	49	(251)
Fire runs			
<b>TOTAL REVENUES</b>	<b>218,800</b>	<b>257,693</b>	<b>38,893</b>
<b>EXPENDITURES:</b>			
Legislative	4,041	4,041	-
General government	89,401	82,312	7,089
Public safety	16,000	15,636	364
Public works	181,603	75,747	105,856
Recreation and culture	2,000	2,000	-
Cemetery operations			
Other	26,828	28,757	(1,929)
<b>TOTAL EXPENDITURES</b>	<b>319,873</b>	<b>208,493</b>	<b>111,380</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(101,073)</b>	<b>49,200</b>	<b>150,273</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	1,500	1,500
Transfers out	(68,927)	(94,045)	(25,118)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(68,927)</b>	<b>(92,545)</b>	<b>(23,618)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(170,000)</b>	<b>(43,345)</b>	<b>126,655</b>
<b>FUND BALANCE - APRIL 1</b>	<b>425,986</b>	<b>425,986</b>	<b>-</b>
<b>FUND BALANCE - MARCH 31</b>	<b>\$ 255,986</b>	<b>\$ 382,641</b>	<b>\$ 126,655</b>

The accompanying footnotes are an integral part of the financial statements.

SPECIAL REVENUE FUNDS		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 41,100	\$ 41,101	\$ 1
47,100	32,748	(14,352)
100	14,048	13,948
1,400	3,078	1,678
25,000	10,891	(14,109)
114,700	101,866	(12,834)
97,815	73,459	24,356
90,812	99,477	(8,665)
188,627	172,936	15,691
(73,927)	(71,070)	2,857
69,927	94,045	24,118
-	-	-
69,927	94,045	24,118
(4,000)	22,975	26,975
12,585	12,585	-
\$ 8,585	\$ 35,560	\$ 26,975

TOTALS (MEMORANDUM ONLY)		
BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
\$ 161,000	\$ 170,790	\$ 9,790
2,000	1,250	(750)
94,100	113,214	19,114
47,100	32,748	(14,352)
2,500	13,491	10,991
100	14,048	13,948
1,700	3,127	1,427
25,000	10,891	(14,109)
333,500	359,559	26,059
4,041	4,041	-
89,401	82,312	7,089
113,815	89,095	24,720
181,603	75,747	105,856
2,000	2,000	-
90,812	99,477	(8,665)
26,828	28,757	(1,929)
508,500	381,429	127,071
(175,000)	(21,870)	153,130
69,927	95,545	25,618
(68,927)	(94,045)	(25,118)
1,000	1,500	500
(174,000)	(20,370)	153,630
438,571	438,571	-
\$ 264,571	\$ 418,201	\$ 153,630

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
**Statement of Revenues, Expenses and**  
**Changes in Retained Earnings/Fund Balance**  
**Nonexpendable Trust Fund -**  
**Perpetual Care Fund**

	<b>YEAR ENDED MARCH 31,</b>	
	<b>2007</b>	<b>2006</b>
<b>OPERATING REVENUES:</b>		
Perpetual care fees	\$ 1,000	\$ 2,154
Interest income	923	221
<b>TOTAL OPERATING REVENUES</b>	<b>1,923</b>	<b>2,375</b>
<b>OPERATING EXPENSES</b>	<b>-</b>	<b>-</b>
<b>INCOME BEFORE OPERATING TRANSFERS</b>	<b>1,923</b>	<b>2,375</b>
<b>OPERATING TRANSFERS IN (OUT)</b>	<b>(1,500)</b>	<b>(393)</b>
<b>NET INCOME</b>	<b>423</b>	<b>1,982</b>
<b>FUND BALANCE - APRIL 1</b>	<b>73,382</b>	<b>71,400</b>
<b>FUND BALANCE - MARCH 31</b>	<b>\$ 73,805</b>	<b>\$ 73,382</b>

The accompanying footnotes are an integral part of the financial statements.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
**Statement of Cash Flows -**  
**Nonexpendable Trust Fund -**  
**Perpetual Care Fund**

	<b>YEAR ENDED MARCH 31,</b> <b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Cash received from customers	\$ 1,000	\$ 2,154
Interest received	840	193
Increase (decrease) accrued interest receivable	-	-
Transfer to other funds	<u>(1,500)</u>	<u>(1,575)</u>
Net cash provided by operating activities	340	772
CASH AT BEGINNING OF YEAR	<u>72,290</u>	<u>71,518</u>
CASH AT END OF YEAR	<u><u>\$ 72,630</u></u>	<u><u>\$ 72,290</u></u>

The accompanying footnotes are an integral part of the financial statements.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**

Reconciliation of Net Income to Net Cash

Nonexpendable Trust Fund -

Perpetual Care Fund

	<b>YEAR ENDED MARCH 31,</b>	
	<b>2007</b>	<b>2006</b>
Net Income	\$ 423	\$ 1,982
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase (decrease) in due to other funds	(83)	(1,210)
Net cash provided by operating activities	<u>\$ 340</u>	<u>\$ 772</u>

Disclosure of Accounting Policy:

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand, demand deposits in banks, and balances of certificates of deposit.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF TOWNSHIP OPERATIONS & FUND TYPES:**

The Township of Elkland, Michigan covers an area of approximately 36 square miles within Tuscola County. The Township operates under an elected Board of Trustees (5 members) and provides services to its more than 3,300 residents in many areas including public works, public safety, community enrichment and development and human services.

The financial statements of the Township of Elkland have been prepared in conformity with U.S. generally accepted accounting principals (GAAP) as applied to government units, except for complying with GASB #34. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. REPORTING ENTITY:**

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP, currently GASB Statement #14, the Financial Reporting Entity.

Based upon the application of these criteria, the general purpose financial statements of the Township of Elkland contain all the funds and account groups controlled by the Township's Board of Trustees as no other entity meets the criteria to be considered a blended component unit or a discretely presented component of the Township nor is the Township a component unit of another entity.

**B. FUND ACCOUNTING:**

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

*GOVERNMENTAL FUNDS* - are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital project funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the general government not accounted for in some other funds.

*PROPRIETARY FUNDS* - are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise fund) or to other departments or agencies primarily within the government (internal service fund).

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**B. FUND ACCOUNTING, (Continued):**

*FIDUCIARY FUNDS* - are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government.

*ACCOUNT GROUPS* - are used to account for fixed assets and long-term liabilities which are not reported in the respective governmental funds.

**C. BASIS OF ACCOUNTING:**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increase (i.e. revenues and other financing sources) and decrease (i.e. expenditures and other financing uses) in net current assets.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Fund equity (i.e. net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund-type operating statements present increased (i.e. revenues) and decrease (i.e. expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, federal and state grants, special assessments, licenses, interest revenue and charges for services. Fines, permits and sales tax and other state revenues are not susceptible to accrual because generally they are not measurable until received in cash.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise the resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**D. BUDGETS AND BUDGETARY ACCOUNTING:**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year-end.

Encumbrances represent commitments related to unperformed contracts for goods or services. The Township does not utilize encumbrance accounting.

**E. CASH AND EQUIVALENTS:**

Cash includes amounts in petty cash and demand deposits. Investments included instruments allowed by state statute subsequently described. Investments are carried at fair market value.

State statutes authorized the Township to invest in bonds, securities, and other direct and certain indirect obligations of the U.S. Treasury, which include securities issued or guaranteed by the Government National Mortgage Association; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; and in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase and not totaling more than 40% of any fund at any time. The Township is also authorized to invest in U.S. Government of federal agency obligation repurchase agreements, bankers' acceptance of U.S. banks, and mutual funds composed of investments as outlined above.

**F. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES:**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet.

**G. RECEIVABLES:**

Receivables consist primarily of amounts for taxes and customers charges. No allowance for doubtful accounts is considered necessary and credit risk is minimal because of the large number of customers and the authority of the Township to add receivables to the tax rolls which are secured by the underlying property.

**H. RESTRICTED ASSETS:**

Certain proceeds of enterprise fund bonds, as well as certain resource set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and Michigan law.



**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**I. FIXED ASSETS:**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchased fixed assets are valued to cost where historical records are available and at an estimated historical cost where no historical record exist. Donated fixed assets are value at their estimated fair market value on the date received. Fixed assets purchased within the proprietary funds and the non-expendable trust fund are reported as assets within those funds and accordingly, are included on their balance sheet.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government. Primarily because of this policy, total expenditures for capital improvements in the governmental funds do not equal total additions to the general fixed assets account group.

**J. LONG-TERM OBLIGATIONS:**

Long-term debt is recognized as a liability of a governmental fund when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**K. FUND EQUITY:**

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represents tentative plans for future use of financial resources.

**L. INTERFUND TRANSACTIONS:**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (Continued):**

**M. MEMORANDUM ONLY - TOTAL COLUMNS:**

The total columns on the combined statements are captioned memorandum only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data. Prior year memorandum total amounts have been updated for comparative purpose.

**N. COMPARATIVE DATA:**

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Township's financial position and operations. However, comparative (i.e., presentation of prior year totals by fund type) data have not been presented in each of the statements since their inclusion would make the statements unduly complicated and difficult to understand.

**O. ESTIMATES:**

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE 2 - CHANGES IN GENERAL FIXED ASSETS:**

A summary of changes in general fixed assets follows:

	<b>BALANCE MARCH 31, <u>2006</u></b>	<b><u>ADDITIONS</u></b>	<b><u>DEDUCTIONS</u></b>	<b>BALANCE MARCH 31, <u>2007</u></b>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	34,099			34,099
Equipment	<u>691,779</u>	<u>\$29,410</u>	<u>\$4,000</u>	<u>717,189</u>
TOTAL	<u>\$869,057</u>	<u>\$29,410</u>	<u>\$4,000</u>	<u>\$894,467</u>

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 3 - CASH AND EQUIVALENTS:**

Cash and investments are held separately by each of the Township's funds.

**DEPOSITS:**

At year-end, the carrying amount of the Township's deposits was \$481,904 and the bank balance was \$482,883, \$326,192 of which was covered by federal depository insurance.

**INVESTMENTS:**

The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered, or securities held by the Township's or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered, with securities held by the counterpart's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At March 31, 2007, the Township had no Category 2 or 3 investments.

The Township's cash, cash equivalents, investments and restricted assets at March 31, 2007 are composed of the following:

	<b><u>CASH &amp; EQUIVALENTS</u></b>	<b><u>INVESTMENTS</u></b>	<b><u>RESTRICTED ASSETS</u></b>
GENERAL FUND:			
Deposits	\$361,797		
Other Funds:			
Deposits	<u>87,371</u>	—	<u>\$32,736</u>
TOTAL	<u>\$449,168</u>	<u>\$0</u>	<u>\$32,736</u>

Additional disclosures required by GASB 40 are not included in the accompanying financial statements.

**NOTE 4 – GASB 34:**

The Township chose not to adopt GASB 34, which is required by Generally Accepted Accounting Principals (GAAP). This departure from GAAP is also noted in the audit report letter.

**NOTE 5 - DUE TO AND FROM OTHER FUNDS:**

Due to and from other funds balances at March 31, 2007 are as follows:

<b><u>FUND</u></b>	<b><u>DUE FROM OTHER FUNDS</u></b>	<b><u>DUE TO OTHER FUNDS</u></b>
General Fund	\$17,294	
Special Revenue Fund	225	
Perpetual Care Fund		\$ 225
Trust and agency:		
Current Tax Collection Fund	—	<u>17,294</u>
TOTAL	<u>\$17,519</u>	<u>\$17,519</u>

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Notes to the Financial Statements  
March 31, 2007

**NOTE 6 - LEGAL COMPLIANCE - BUDGETS:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements.

1. On or prior to April 1 of each year, a proposed budget is submitted to the Board of Trustees for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayers comments.
3. Prior to February 1, the budget is legally enacted through passage of a resolution.
4. Any revisions of the budget must be approved by the Board of Trustees.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue funds.
6. Budgets for general and special revenue funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Trustees during the fiscal year. Individual amendments were not material in relation to the original appropriations which were amended.
7. The budget is prepared by fund and function and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. Expenditures may not exceed budget at the function level.
8. The Cemetery Fund exceeded their budgeted expenditures by \$8,665 and the General Fund operating transfers out exceeded their budgeted expenditures by \$25,118. This is a violation of the PA 621 budget act.

**NOTE 7 - PROPERTY TAX REVENUE:**

Property taxes become an enforceable lien on the property as of July 1 and December 1. Taxes are levied on July 1 and December 1 and are due in September and February of the following year. The Township bills and collects its own property taxes and also taxes for the county, intermediate school district and school districts. All tax collections are accounted for in the tax collection fund, an agency fund. Township tax revenues are recognized in the fiscal year that includes the December 1 levy date. The Township levied 1.6468 mills for operations and 1.0955 mills for Library services on a taxable value of \$88,578,617.

**NOTE 8 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Township carries commercial insurance to cover any losses that may result from the above described activities. For insured programs, there has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 9 - TRANSFERS:**

The general fund transferred \$65,030 to the cemetery fund and \$29,015 to the fire fund during the current fiscal year. The perpetual care fund transferred \$1,500 to the general fund during the current fiscal year. The transfers were for operating expenses.

## **SUPPLEMENTAL INFORMATION**

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Schedule of Revenues - Budget and Actual  
General Fund  
For the Fiscal Year Ended March 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>TAXES:</b>			
Current Property Taxes	\$ 130,000	\$ 147,785	\$ 17,785
Delinquent tax	10,000	-	(10,000)
Trailer park tax	3,000	3,372	372
Administrative fee	18,000	19,633	1,633
<b>TOTAL TAXES</b>	<u>161,000</u>	<u>170,790</u>	<u>9,790</u>
 <b>LICENSES &amp; PERMITS:</b>			
Zoning permits	<u>2,000</u>	<u>1,250</u>	<u>(750)</u>
 <b>Intergovernmental Revenues:</b>			
State Revenue Sharing - Metro	3,000	2,585	(415)
State Revenue Sharing	<u>50,000</u>	<u>69,528</u>	<u>19,528</u>
<b>Total Intergovernmental Revenue</b>	<u>53,000</u>	<u>72,113</u>	<u>19,113</u>
 <b>Investment Income:</b>			
Interest income	<u>2,500</u>	<u>13,491</u>	<u>10,991</u>
 <b>Other Revenue:</b>			
Miscellaneous income	<u>300</u>	<u>49</u>	<u>(251)</u>
<b>TOTAL OPERATING REVENUE</b>	<u><u>\$ 218,800</u></u>	<u><u>\$ 257,693</u></u>	<u><u>\$ 38,893</u></u>

See the accompanying notes.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
**Schedule of Expenditures - Budget and Actual**  
**General Fund**  
**For the Year Ended March 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
Legislative:			
Township Board	\$ 4,041	\$ 4,041	\$ -
General Government:			
Township Supervisor	11,463	10,974	489
Assessor	15,000	15,615	(615)
Treasurer	27,158	22,769	4,389
Clerk	14,480	14,148	332
Board of Review	1,550	1,218	332
Elections	4,100	2,732	1,368
Zoning board	4,350	2,605	1,745
Building and grounds	4,800	8,586	(3,786)
Legal and accounting	6,500	3,665	2,835
<b>TOTAL GENERAL GOVERNMENT</b>	<u>89,401</u>	<u>82,312</u>	<u>7,089</u>
Public Safety:			
Ambulance Services	15,000	14,636	364
Drug enforcement	1,000	1,000	-
<b>TOTAL PUBLIC SAFETY</b>	<u>16,000</u>	<u>15,636</u>	<u>364</u>
Public Works:			
Road maintenance	72,103	39,645	32,458
Road construction	100,000	24,699	75,301
Road mowing	4,500	3,200	1,300
Drain at large	5,000	8,203	(3,203)
<b>TOTAL PUBLIC WORKS</b>	<u>181,603</u>	<u>75,747</u>	<u>105,856</u>
Recreation and Culture:			
Park	2,000	2,000	-
Other:			
Other intergovernmental	14,100	14,439	(339)
Insurance and bonds	1,000	2,895	(1,895)
Other general government	7,100	5,884	1,216
Fringe benefits	4,628	5,539	(911)
<b>TOTAL OTHER EXPENSES</b>	<u>26,828</u>	<u>28,757</u>	<u>(1,929)</u>
<b>TOTAL EXPENDITURES</b>	<u>319,873</u>	<u>208,493</u>	<u>111,380</u>
Operating transfer out:			
Fire fund	29,015	29,015	-
Cemetery fund	39,912	65,030	(25,118)
<b>TOTAL EXPENDITURES &amp; TRANSFERS OUT</b>	<u>\$ 388,800</u>	<u>\$ 302,538</u>	<u>\$ 86,262</u>

See the accompanying notes.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Combining Balance Sheet -  
Special Revenue Funds  
March 31, 2007

			<b>TOTALS</b>	
			<b>(MEMORANDUM ONLY)</b>	
	<b>FIRE</b>	<b>CEMETERY</b>	<b>MARCH 31,</b>	
	<b>FUND</b>	<b>FUND</b>	<b>2007</b>	<b>2006</b>
<b><u>ASSETS</u></b>				
Cash	\$ 13,667	\$ 1,074	\$ 14,741	\$ 1,813
Due from other funds	-	225	225	307
Prepaid expenses	13,894	6,700	20,594	4,500
<b>TOTAL ASSETS</b>	<b><u>\$ 27,561</u></b>	<b><u>\$ 7,999</u></b>	<b><u>\$ 35,560</u></b>	<b><u>\$ 23,120</u></b>
<b><u>LIABILITIES &amp; FUND BALANCE</u></b>				
Liabilities:				
Accounts payable - bank overdraft	-	-	-	\$ 10,535
Accounts payable	-	-	-	-
Fund Balance:				
Unreserved	<u>\$ 27,561</u>	<u>\$ 7,999</u>	<u>\$ 35,560</u>	<u>12,585</u>
<b>TOTAL LIABILITIES &amp; FUND BALANCE</b>	<b><u>\$ 27,561</u></b>	<b><u>\$ 7,999</u></b>	<b><u>\$ 35,560</u></b>	<b><u>\$ 23,120</u></b>

See the accompanying notes.



**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Combining Schedule of Revenues, Expenditures  
& Changes in Fund Balance - Special Revenue Funds  
For the Year Ended March 31, 2007

			<b>TOTALS</b>	
			<b>(MEMORANDUM ONLY)</b>	
	<b>FIRE FUND</b>	<b>CEMETERY FUND</b>	<b>MARCH 31,</b>	
			<b>2007</b>	<b>2006</b>
<b>REVENUES:</b>				
Intergovernmental revenues	\$ 41,101		\$ 41,101	\$ 41,100
Charges for services		\$ 32,748	32,748	45,882
Donations	14,048		14,048	-
Miscellaneous revenues	-	3,078	3,078	4,030
Fire runs	10,891		10,891	22,983
<b>TOTAL REVENUES</b>	<b>66,040</b>	<b>35,826</b>	<b>101,866</b>	<b>113,995</b>
<b>EXPENDITURES:</b>				
Public safety	73,459		73,459	231,464
Cemetery operations		99,477	99,477	76,538
<b>TOTAL EXPENDITURES</b>	<b>73,459</b>	<b>99,477</b>	<b>172,936</b>	<b>308,002</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(7,419)</b>	<b>(63,651)</b>	<b>(71,070)</b>	<b>(194,007)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	29,015	65,030	94,045	320,393
Operating transfers out		-	-	(115,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>29,015</b>	<b>65,030</b>	<b>94,045</b>	<b>205,393</b>
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES &amp; OTHER USES</b>	<b>21,596</b>	<b>1,379</b>	<b>22,975</b>	<b>11,386</b>
<b>FUND BALANCE - APRIL 1</b>	<b>5,965</b>	<b>6,620</b>	<b>12,585</b>	<b>1,199</b>
<b>FUND BALANCE - MARCH 31</b>	<b>\$ 27,561</b>	<b>\$ 7,999</b>	<b>\$ 35,560</b>	<b>\$ 12,585</b>

See the accompanying notes.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Schedule of Revenues, Expenditures & Changes  
in Fund Balance - Budget & Actual  
Fire Fund  
For the Fiscal Year Ended March 31, 2007

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
<b>REVENUES:</b>			
Intergovernmental:			
Local Units	\$ 41,100	\$ 41,101	\$ 1
Donations	100	14,048	13,948
Miscellaneous	600	-	(600)
Fire runs	25,000	10,891	(14,109)
<b>TOTAL REVENUES</b>	<u>66,800</u>	<u>66,040</u>	<u>(760)</u>
<b>EXPENDITURES:</b>			
Salaries	30,410	19,767	10,643
Insurance	20,000	17,100	2,900
Telephone	1,500	1,321	179
Gas & Oil	3,500	2,023	1,477
Truck repairs	10,000	5,841	4,159
Training & Education	3,300	1,011	2,289
Supplies	3,500	482	3,018
Dues	500	100	400
Miscellaneous	500	116	384
Utilities	6,500	4,366	2,134
Repairs – Electronics	1,000	1,067	(67)
Repairs – Building	2,500	7,097	(4,597)
FICA Expense	605	605	-
Capital outlay	10,000	11,437	(1,437)
Legal fees	4,000	1,126	2,874
<b>TOTAL EXPENDITURES</b>	<u>97,815</u>	<u>73,459</u>	<u>24,356</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(31,015)</u>	<u>(7,419)</u>	<u>23,596</u>
<b>OTHER FINANCING SOURCES:</b>			
Operating transfers in	29,015	29,015	-
<b>EXCESS OF REVENUES &amp; OTHER SOURCES OVER (UNDER) EXPENDITURES</b>	<u>(2,000)</u>	<u>21,596</u>	<u>23,596</u>
<b>FUND BALANCE - APRIL 1</b>	<u>5,965</u>	<u>5,965</u>	
<b>FUND BALANCE - MARCH 31</b>	<u>\$ 3,965</u>	<u>\$ 27,561</u>	<u>\$ 23,596</u>

See the accompanying notes.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
**Schedule of Revenues, Expenditures & Changes**  
**in Fund Balance - Budget & Actual**  
**Cemetery Fund**  
**For the Fiscal Year Ended March 31, 2007**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Charges for services:			
Sale of Lots	\$ 15,000	\$ 6,550	\$ (8,450)
Grave openings	22,000	19,650	(2,350)
Foundations	10,000	6,448	(3,552)
Annual care	100	100	-
Total Charges for Services	47,100	32,748	(14,352)
Miscellaneous income	800	3,078	2,278
TOTAL REVENUES	47,900	35,826	(12,074)
EXPENDITURES:			
Sexton's salary	23,792	23,792	-
Outside labor	25,000	21,338	3,662
Backhoe work	7,000	3,910	3,090
Taxes – FICA	1,820	1,820	-
Materials	3,500	2,491	1,009
Repairs	14,500	19,034	(4,534)
Supplies	3,500	3,071	429
Telephone	800	620	180
Gas & Oil	1,600	1,925	(325)
Miscellaneous	500	271	229
Utilities	300	781	(481)
Insurance	5,000	5,300	(300)
Lots	500	375	125
Cemetery house repair	-	-	-
Health Insurance	-	-	-
Capital outlay	3,000	14,749	(11,749)
TOTAL EXPENDITURES	90,812	99,477	(8,665)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(42,912)	(63,651)	(20,739)
OTHER FINANCING SOURCES (USES):			
Operating transfers in	40,912	65,030	24,118
Operating transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,912	65,030	24,118
EXCESS OF REVENUES & OTHER SOURCES OVER (UNDER) EXPENDITURES	(2,000)	1,379	3,379
FUND BALANCE - APRIL 1	6,620	6,620	
FUND BALANCE - MARCH 31	\$ 4,620	\$ 7,999	\$ 3,379

See the accompanying notes.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Schedule of Changes in General Fixed Assets  
For the Year Ended March 31, 2007

	<u>BALANCE MARCH 31, 2006</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE MARCH 31, 2007</u>
Land	\$ 10,300			\$ 10,300
Building	132,879			132,879
Improvements	34,099			34,099
Equipment	<u>691,779</u>	<u>\$ 29,410</u>	<u>\$ 4,000</u>	<u>717,189</u>
<b>TOTAL</b>	<u><u>\$ 869,057</u></u>	<u><u>\$ 29,410</u></u>	<u><u>\$ 4,000</u></u>	<u><u>\$ 894,467</u></u>

See the accompanying notes.

**TOWNSHIP OF ELKLAND, TUSCOLA COUNTY**  
Schedule of Changes in Assets and Liabilities  
All Agency Funds  
For the Fiscal Year Ended March 31, 2007

	<b>CURRENT TAX COLLECTION FUND</b>			
	<b>BALANCE MARCH 31, 2006</b>	<b>ADDITIONS</b>	<b>DEDUCTIONS</b>	<b>BALANCE MARCH 31, 2007</b>
<b><u>ASSETS</u></b>				
Cash	\$ 23,988	\$ 8,748	-	\$ 32,736
Taxes Receivable	186,535	1,996,812	\$ 1,996,940	186,407
<b>TOTAL ASSETS</b>	<b><u>\$ 210,523</u></b>	<b><u>\$ 2,005,560</u></b>	<b><u>\$ 1,996,940</u></b>	<b><u>\$ 219,143</u></b>
 <b><u>LIABILITIES</u></b>				
Due to State	\$ 21,905	-	\$ 8,105	\$ 30,010
Due to Tuscola County	53,513	\$ 546,752	539,528	46,289
Due to Cass City Schools	78,051	788,203	793,894	83,742
Due to Rawson Library	8,114	97,921	98,308	8,501
Due to General Fund	16,103	166,870	168,061	17,294
Due to Intermediate Schools	32,354	381,369	382,269	33,254
Due to Owengage School	483	15,825	15,395	53
<b>TOTAL LIABILITIES</b>	<b><u>\$ 210,523</u></b>	<b><u>\$ 1,996,940</u></b>	<b><u>\$ 2,005,560</u></b>	<b><u>\$ 219,143</u></b>

See the accompanying notes.

# ANDERSON, TUCKEY, BERNHARDT & DORAN, P.C.

Certified Public Accountants



Gary R. Anderson, CPA  
Jerry J. Bernhardt, CPA  
Thomas B. Doran, CPA

May 18, 2007

Robert L. Tuckey, CPA  
Valerie Jamieson Hartel, CPA  
Jamie L. Peasley, CPA

To the Board of Elkland Township

In planning and performing our audit of the financial statements of Elkland Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Elkland Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses:

After considering the qualifications of the accounting personnel of Elkland Township, we believe that the personnel have the abilities to maintain the day-to-day bookkeeping of the Township, but they do not have the qualifications and abilities to generate financial statements, including the required footnotes, in accordance with accounting principles generally accepted in the United States of America.

Also, during the course of our audit, we noted that several disbursement checks had only one signature on the check. We recommend that all disbursement checks have two signatures on them. Having two signatures would help to strengthen internal control.

This communication is intended solely for the information and use of management, Elkland Township, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tuckey, Bernhardt & Doran, P.C.*

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Certified Public Accountants

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